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DoubleClick Exits Media Business

By Christopher Saunders

After more than a year of speculation about its intentions, DoubleClick (NASDAQ:DCLK) is leaving the Web media business, spinning off its North American network to smaller player L90 (NASDAQ:LNTY).

Through the deal, DoubleClick will receive $5 million in cash and 4.8 million shares, at press time equivalent to about $4.5 million, of Los Angeles-based L90, which will change its name to MaxWorldwide and relocate to New York following the transaction. At press time, the equity is worth about $4.5 million. DoubleClick also gains the right to an additional $6 million, should the unit meet certain, unspecified performance criteria.

By way of a preexisting, five-year deal with L90, DoubleClick will continue to serve ads for MaxWorldwide, in which it will have a 16.1 percent stake through the equity transfer. DoubleClick Chairman Kevin O'Connor will join MaxWorldwide's board of directors.

The transaction is expected to close within days.

The move enables New York-based DoubleClick to continue winnowing down its business to concentrate on technology, which is where it has been enjoying the highest margins and strongest demand since the dot-com meltdown and collapse of the advertising market.

The sale is the latest in which DoubleClick has offloaded portions of its business to specialists in return for equity, a technique that allows the New York-based firm to realize gains from the unit's future performance, but also to keep its losses off its books. Typically the deals also entail a long-term ad serving or data-sharing agreement.

In November, DoubleClick sold its European media business to German rival AdLINK in return for a stake in the firm and an ad-serving contract. A month later, the company did the same by selling its Ad Effectiveness research unit to Dynamic Logic. In May, DoubleClick sold its @plan division to NetRatings (NASDAQ:NTRT) for cash and stock. Both Dynamic Logic and NetRatings will share data with DoubleClick through the arrangements.

For more than a year, analysts and industry-watchers have long suspected that DoubleClick would quit the ad sales business in its entirety. In early 2001, the company began closing regional ad sales offices in Brazil and Australia, and reorganized its domestic network.

"This transaction will allow DoubleClick to continue to focus on developing the best technology and service solutions to make marketing work better," said DoubleClick Chief Executive Kevin Ryan. "It will also ensure that MaxWorldwide will have the scale and focus that it needs to be successful. In addition, MaxWorldwide will become one of DoubleClick's largest ad serving customers in North America."

Meanwhile, as MaxWorldwide, L90 will become one of the largest online media reps -- and potentially, gain the momentum to capitalize on its own series of similarly radical business reorganizations, and to move beyond its more recent accounting woes.

In October, the firm sold its ad server to DoubleClick, with which it was a major rival, in order to focus on the media side. Three months later, the company announced its intention to merge with Web publisher eUniverse (NASDAQ:EUNI), although that deal broke up amid accounting questions in early March that prompted a Securities and Exchange Commission investigation. Following an exodus of company founders and the installment of new management, L90 restated earnings.

"MaxWorldwide will now be the industry leader in online ad sales representation, bringing together two established marketing pioneers and a dream team of senior executives," said L90 President and CEO Mitchell Cannold.

Added L90 Chairman William Apfelbaum, "Our customers will be the real winners as the result of this deal. We will be giving them a new choice in online marketing services and a strong management team that is ready to take the strength of MaxWorldwide and literally maximize all the marketing possibilities of the Internet."